

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
2000 Biennial Regulatory Review –)	CC Docket No. 00-199
Comprehensive Review of the Accounting)	
Requirements and ARMIS Reporting)	
Requirements for Incumbent Local)	
Exchange Carriers: Phase 2)	
)	
Amendments to the Uniform System)	CC Docket No. 97-212
of Accounts for Interconnection)	
)	
Jurisdictional Separations Reform and)	CC Docket No. 80-286
Referral to the Federal-State Joint Board)	
)	
Local Competition and Broadband Reporting)	CC Docket No. 99-301

**Reply Comments of the
Regulatory Commission of Alaska**

The Regulatory Commission of Alaska (RCA) welcomes the opportunity to provide reply comments on the Notice of Proposed Rulemaking released November 5, 2001 [FCC 01-305 67 Federal Register 5704 (February 6, 2002)].

The RCA strongly supports the comments of the National Association of Regulatory Utility Commissioners (NARUC), filed April 8, 2002.¹ A national

¹ We disagree with the NARUC argument that access line data, even if standardized, would necessarily provide a reasonable measure of market competition. For example, percent of access lines providing voice grade service would not indicate whether the carrier held market power in providing broadband capable lines and services.

system of accounting and reporting requirements is critical to meet the following goals:

- 1) continuing confidence in and accuracy of the universal service support system;
- 2) preventing cross-subsidization between jurisdictions, and ensuring proper and consistent jurisdictional allocations;
- 3) evaluating unbundled network element (UNE) pricing, and appropriate treatment of UNE revenues and costs; and
- 4) understanding and comparing levels of infrastructure development nationwide.

The FCC's universal service fund will be compromised if it cannot be properly audited and if the FCC cannot assure that funds are used appropriately. A national accounting and reporting system provides the FCC, state commissions, and the industry with the critical tool needed for such audits, and ensures consistent and fair treatment of carriers from state to state. Wholesale revisions to the federal accounting practices and policies should not be made while the degree of accounting and reporting detail that the Universal Service and Separations Joint Boards may find necessary to achieve recommended reforms remains uncertain.

An adequate national accounting system is critical for the FCC and state commissions to evaluate issues when debates occur over federal subscriber line charge fees, UNE prices, universal service fund allocations,

and other federal rates. These debates are likely to continue even as markets become more competitive. For example, in Anchorage, Alaska, where the competitive carrier serves over thirty percent of the access lines, the RCA and the FCC are faced with disputes over proper treatment of incumbent carrier costs and revenues. The FCC is investigating whether an Alaska local exchange carrier (LEC) properly treated UNE revenues and Internet related costs for purposes of calculating interstate rates.² If the FCC had previously relaxed its uniform accounting system and policies, the evaluation of revenue recovery in both state and federal jurisdictions would be much more difficult.

On the state side, that same Alaska LEC asserts that its UNE rates are too low relative to its costs. UNEs are sold to provide both state and federal services. The UNE prices are set on a total company basis, and as a result, any claim that UNE prices are too low may affect *both* the state and federal jurisdictions. Without a national accounting standard, the FCC and states will encounter difficulty evaluating how nationwide carriers address a disparity between UNE pricing and interstate embedded costs, whether the difference between UNE revenues and interstate embedded costs is recovered by interstate services or elsewhere, and the extent such recovery occurs through universal service funds. A national accounting and reporting system also makes it possible to evaluate costs among states and better understand the

² See CC Docket No. 02-36/CCB/CPD No. 01-23.

reasonableness of data presented both before the states and before the FCC when setting UNE and other rates.

Summary

The RCA supports the NARUC comments in this proceeding. Accounting and reporting requirements should be the last requirements that are removed, and then only after there is clear and incontrovertible evidence that (1) doing so would be in the public interest, as determined by both the FCC and state regulators; (2) the level of competition from competitive local exchange carriers is sufficiently rigorous and sustainable to prevent abuse and anti-competitive practices by incumbent local exchange carriers for all services; and (3) the accounting and reporting information is no longer needed to monitor the transition to the competitive marketplace envisioned by the Telecommunications Act of 1996.

RESPECTFULLY SUBMITTED this 7th day of May, 2002.

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